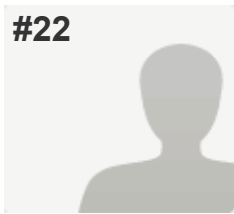


#22



COMPLETE

Q3: Organization

BDO Ukraine LLC

Q4: Country/ Region

Ukraine

Q5: Stakeholder Group

Report preparer

Q6: Any preliminary or introductory comments (Example: If the response is the result of a focus group, please indicate attendees and their respective stakeholder groups).

This response is the result of a BDO Ukraine LLC focus group with partners and managers representing all major areas of the firm including audit, legal, tax, corporate governance, sustainability and advisory.

Q7: Q1(a) What is your experience with the multiple capitals approach in integrated reports?

- Firstly BDO Ukraine is very supportive of using the existing multiple capitals approach. Increasing the breadth and depth of potential factors impacting company performance beyond traditional financial and manufactured capital valuation provides useful additional information supporting our audit and advisory work.
- In Ukraine, unfortunately, only two organisations (1 public sector, 1 private) are currently applying a publicly available multiple capital approach in their strategic planning and reporting. This means the evidence base is very thin in turn not allowing key stakeholders such as regulators, accounting firms and reporting entities to get a better feel for the benefits and challenges associated with a multiple capital approach.
- Currently there are no regulatory barriers to overcome adopting a multiple capitals approach to our knowledge. The Government of Ukraine is indeed encouraging market participants to study and adopt innovative approaches and initiatives including in reporting with a view to closer EU and global market integration.
- The main area of resistance in our view remains companies' cautious reporting approach to new reporting developments, including taking a multiple capitals approach, because the area is still poorly understood and lacks a credible evidence base of Ukrainian <IR> reporters.
- We note that there is also a strong tendency for reporting entities to wait for regulatory intervention, with a few notable exceptions, which is culturally rooted in the old Soviet time thinking where initiative and innovation were actively discouraged. Although the regulator is encouraging innovation and fresh thinking across a wide range of reporting and transparency issues this cultural barrier will take time to dissolve. Finally as Ukraine is facing strong economic and political headwinds (currency devaluation, decreasing GDP, aggressive Russian intervention) the regulator has its hands full which makes strong intervention on <IR> and multi capitals approach unlikely in the short term

Q8: Q1(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- Taking into account the challenges outlined under (Q1a) the three Ukrainian parties which need to understand and act on the benefits of <IR> including a multiple capitals approach are:
 - o Ministry of Finance (responsible for all reporting guidance)
 - o Accounting firms including BDO (raising awareness and sharing international evidence)
 - o Reporting entities (private and public) (studying international practice, seeking support from credible experts such as BDO and see this approach as a chance to innovate and support the information needs of key stakeholders)
- We suggest bringing the three parties together for an initial scoping meeting would be a promising start to a meaningful Ukrainian <IR> journey and BDO is committed to lead on this activity.

PAGE 3: Connectivity and integrated thinking**Q9: Q2(a) What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions?**

- As the <IR> evidence base is virtually non existing in Ukraine we see very little evidence of meaningful connectivity between accounting and non-accounting information even in companies deemed progressive reporters.
- The Ukrainian Financial Reporting Standard (PCBU), GRI and UN Global Compact are the main reporting standards used for financial and non-financial disclosure. There is very little evidence of integrated thinking let alone reporting connections being made between the standards by Ukrainian reporters through e.g. following the <IR> Framework.
- One area worth highlighting is the general reluctance by companies to connect present and future performance including resource allocation, strategic priorities and disclosing future KPIs/KRIs. We know this unwillingness is not just limited to Ukrainian reporters so a greater national and international as well as industry specific evidence base how to present connected forward looking information would help slowly changing company management and owner mindsets.

Q10: Q2(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- Same recommendation as (Q1b)

PAGE 4: Key stakeholders' legitimate needs and interests

Q11: Q3(a) What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed?

- Stakeholder engagement is a relatively new concept in Ukraine with the majority of reporting entities following a very basic, tick box style methodology to identify, map and communicate with interested parties.
- As mentioned in (Q1a) only two Ukrainian companies currently make reference to stakeholder engagement as specified in the <IR> Framework which provides a very narrow evidence base.
- The value of dynamic and engaged stakeholder engagement needs to be better understood before we can see any progress moving towards integrating stakeholder opinions in companies' <IR> journey.

Q12: Q3(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- Same recommendation as (Q1b) but in addition we would like to encourage both national and international business/industry associations e.g. Federation of Ukrainian Agriculture and European Business Association to get involved. These bodies, beyond their significant reach and influence, have significant international exposure and could act as a positive catalyst to encourage active and meaningful stakeholder engagement practices.

PAGE 5: Materiality and value creation**Q13: Q4(a) What is your experience with the Framework's definition of materiality, in particular: • Application of the value creation lens? • Use of different time periods to identify material matters?**

- We support the <IR> Framework's approach to materiality including taking a value creation over time approach which can in theory be applied to the vast majority of Ukrainian reporters
- Materiality is relatively well understood with a growing number of Ukrainian reporters looking towards international examples within their industries and beyond.
- Value creation is unfortunately mostly being measured and reported in financial terms which means that softer, non-accounting value creating activities are either omitted or reported in separate disclosures e.g. sustainability and social reports. Again the dominant numbers based analysis, measurement and disclosure mind set will take years to materially change.
- Disclosing future financial let alone non-financial value creation remains a challenge as specified under (Q2a). Defining short, medium and long-term value creation remains very tricky in the current economic and political circumstances. We have seen a number of examples where companies changing their strategic priorities on a monthly basis responding to external factors such as access to capital and regressive legislation which in turn allows very little room to meaningfully describe their value creation activities over time

Q14: Q4(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- Same recommendation as (Q1b) and in addition drawing on the experience of international best practice and experts to formalise reporters approach to materiality and value creation over time.

PAGE 6: Conciseness**Q15: Q5(a) What is your experience with the conciseness of integrated reports?**

- Ukrainian reporter's disclosures (annual reports, financial statements, sustainability/CSR reports) have over the past 5 years grown significantly. This is due to a combination of regulatory requirements (financial statements in particular) and companies describing their activities in great but often unnecessary detail e.g. elaborate descriptions of social project funding.
- We support the <IR> Framework's call for greater conciseness which, in our view, should be applied to all reporting activities to make the disclosure more focused and readable.

Q16: Q5(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- Same recommendation as (Q1b)

PAGE 7: Business model – outputs and outcomes

Q17: Q6(a) What is your experience with the reporting of business model information, particularly outputs and outcomes?

- Reporters describing their business model, its key capital inputs, outputs and outcomes are still rare in Ukraine, let alone referencing the <IR> Framework.
- The <IR> Framework's Business Model approach has proven helpful when we engaged companies over the past years but looking at the reporting landscape in 2017 we see slow progress moving towards its implementation.
- We remain strong supporters of the Business Model concept and believe that it will be key to opening closed management mindsets in the coming years.

Q18: Q6(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- Same recommendation as (Q1b)
-

PAGE 8: Those charged with governance / Framework identification

Q19: Q7(a) What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information?

- (i)
- The two existing Ukrainian integrated reports do not have such a statement
 - In Ukraine it is the corporate governance committees or in some cases the regulatory committee who signs off on the integrity of the annual report and financial statements.
 - We support the <IR> Framework's call to for those charged with governance to ensure all information is considered, verified and presented in accordance with the Framework.
 - We are not aware of any regulatory requirements preventing Ukrainian companies from implementing this recommendation and will follow relevant developments closely should this situation change.
- (ii)
- Credibility, transparency and robustness of any published Ukrainian integrated report would be negatively impacted if the statement from the responsible committee is missing.

Q20: Q7(b) What, if anything, should be done and by whom to improve these aspects of implementation?

- Same recommendation as (Q1b) studying international examples of corporate governance committee statements and if possible align them with the regulatory requirements guided by input from the Ministry of Finance.
-

PAGE 9: Other Guiding Principles

Q21: Q8(a) What is your experience with the application of these remaining three Guiding Principles in integrated reports?

Strategic focus and future orientation

- Challenges outlined under Q2a and Q4a

Reliability and completeness

- Ukrainian market participants need to study international examples in greater detail and follow developments which will guide the development of their understanding regarding reliability and completeness of the entire process from integrated thinking to delivering an integrated report.

Consistency and comparability

- Ukrainian market participants need to study international examples in greater detail and follow IIRC developments and recommendations around consistency and comparability.
- The issue of comparability of integrated reports is important and often raised by reporters as they are using industry standards e.g. ISO 9001 as a competitive parameter when entering new markets. Without a meaningful benchmark to compare their reporting performance to national and international peers we think <IR> uptake will remain stagnant.

Q22: Q8(b) What, if anything, should be done and by whom to improve these aspects of implementation?

- IIRC to share relevant updates and guidance with Ukrainian market participants

PAGE 10: Other Content Elements**Q23: Q9(a) What is your experience with how these remaining Content Elements are reported in integrated reports?**

Organizational overview and external environment

- Well covered by most Ukrainian reporters

Governance

- An area which Ukrainian reporters need to improve significantly and can learn from international best practice

Risks and opportunities

- Connecting financial and non-financial risks and opportunities is significantly underdeveloped area by the majority of Ukrainian reporters
- Forward looking risks and opportunities are often underreported and where they exist without clear rationale and clear goals, KPIs and KPIs

Strategy and resource allocation

- Another area of development for Ukrainian reporters especially regarding forward looking information

Performance

- Financial performance measures dominate organisational disclosure so here is another area where <IR> can help introduce the value of identifying material non-financial factors potentially impacting the future performance of a reporter

Outlook

- See Risks and opportunities + Strategy and resource allocation

Basis of preparation and presentation

- In the absence of a material evidence base we continue to follow best international practice

Q24: Q9(b) What, if anything, should be done and by whom to improve these aspects of implementation?

- Same recommendation as (Q1b)

PAGE 11: Other quality issues**Q25: Q10(a) Aside from any quality issues already raised in Q1-Q9, what is your experience with the quality of integrated reports?**

- Representing the full spectrum of reporting maturity from just getting started to advanced, comprehensive reports we recognise and appreciate the efforts and professionalism reporters are demonstrating.
- We appreciate and make frequent use of the IIRC's examples database which provides us with an easily navigable and detailed report resource

Q26: Q10(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- We hope to add Ukrainian reports on the examples database in time to share our experience with the <IR> community

PAGE 12: Other enablers, incentive and barriers**Q27: Q11(a) What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to: • Specific jurisdictions? • Large or small organizations? • Private, public or non-profit sectors? • Different stages of Framework implementation?**

Specific jurisdictions

-

Large or small organizations?

- Not surprisingly we are asking the IIRC for greater emphasis on making <IR> relevant to SMEs (BDO Ukraine's main client base) in particular by providing recommendations for building a strong business case and where available share global SME case studies
- In our experience SME managements often think that <IR> is for the "big boys" with lots of resources and reporting requirements. Sharing SME experiences from other markets e.g. South Africa and formulating responses to sceptical managements/owners would be a positive first step.
- BDO Ukraine is happy to be an SME enabler in Ukraine and link with relevant surrounding markets e.g. Russia. We are also happy to consult with the global BDO Network for relevant insights and potential SME case studies.

Private, public or non-profit sectors?

- We are interested to learn more about the application of <IR> for private and public companies as this is a considerable client group in Ukraine so will follow IIRC developments with great interest.
- The public sector in Ukraine has currently 1 integrated reporter and no private or non-for profit organisations reporting against the Framework
- BDO Ukraine is happy to play an enabling role in the public sector in Ukraine and happy to link with relevant surrounding markets e.g. Russia

Different stages of Framework implementation?

- We note that the IIRC's breakthrough phase is coming to an end in 2017 suggesting that the groundwork has been laid in terms of market awareness, reporter activities/evidence and stakeholder recognition of <IR>
- This is not the case in Ukraine where we are at the beginning of this process leading efforts to popularise <IR> with few results.
- We hope the IIRC will take less "developed" <IR> markets including Ukraine into account when providing guidance and best practice on the practical use the Framework going forward.

Q28: Q11(b) What, if anything, should be done and by whom to improve these aspects of implementation?

- See (Q11a)